

FISCAL NOTE

SB 1301 - HB 1444

March 29, 2001

SUMMARY OF BILL:

- Exempt industrial machinery from those items currently included in the minimum measure of the franchise tax.
- Provides a deduction for industrial machinery, as defined in TCA 67-6-102, in computing the property basis of the franchise tax.
- Provides that the exemption would:
 - impact only those taxpayers whose franchise tax is based on property as opposed to net worth. For informational purposes, franchise tax is imposed on the greater computed amount of either net worth or property.
 - apply to industrial machinery that is *currently owned* as well as industrial machinery purchased after the effective date of the act.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$12,200,000

Increase State Expenditures - Exceeds \$100,000 One-Time

Estimate assumes the following:

- The decrease in state revenues is estimated to exceed \$12,200,000 based on the following factors:
 - Approximately 60% of franchise and excise taxpayers have property as the basis of their franchise tax.
 - information obtained from the Department of Revenue indicates that exempting industrial machinery from the franchise tax property base would decrease revenues in an amount exceeding \$12,200,000 on an annual basis.
 - The exemption amount includes existing industrial machinery in addition to future purchases of industrial machinery.
- An increase in state expenditures that exceeds \$100,000 one-time resulting from MIS System changes in the Department of Revenue.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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